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SECURITY INFORMATION

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1. Alfred Knapp, the new managing director of the China Export Corporation GmbH, East Berlin, is reported to have returned from a 19-day visit to Moscow shortly before the end of April 1952. In the course of his visit to Moscow, he attended the Moscow Economic Conference and, upon his return to Berlin, [redacted] he had obtained the "final and irrevocable" consent of the Chinese to accept the China Export Corporation as the sole acting agency for the implementation of all contracts which the Chinese had concluded with Western suppliers at the Moscow Economic Conference: [redacted] 50X1-HUM
2. This new business has made requisite the acquisition by the China Export Corporation of the damaged building adjoining its regular Berlin headquarters; the building, damaged during the war, is to be converted into a modern office building at an estimated cost of 1,000,000 Eastmarks. 50X1-HUM
3. Knapp and his fellow director, Ernst Ramlow, expect this new business to prove important and extensive enough to warrant the appointment of an East German minister or state secretary as the nominal head of the special organization which is to be set up to handle it.
4. A decision, considered to be of the utmost importance by Knapp, was reached by certain delegates during the Moscow Conference. According to this decision, Western procurement agents used by the Corporation will transact a certain amount of legitimate Chinese-Western trade and not confine their activities to obtaining the strategic material required by the Corporation. These Western procurement agents will take for resale certain quantities of Chinese exports, such as silk, and also sell certain quantities of non-strategic materials to China. In brief, Chinese-Western trade in strategic materials will be "diluted" with a reasonable amount of trade in nonstrategic materials to enable the procurement agents to maintain the fiction that they transact legitimate business only.

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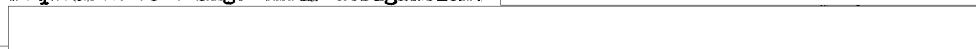
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5. As part of this policy, the present Western procurement agents are being requested to change their designation.

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